

CHAPTER 9

ACCOUNTING

Chapter 298A establishes the fund structure which shall be used by school districts and AEAs commencing with the school budget year which begins on July 1, 1995 (298A.1). A school corporation may establish other funds in accordance with generally accepted accounting principles (298A.14).

Funds and Account Groups

FUND CODE	FUND TITLE
Governmental Funds	
10	General Fund
	Special Revenue Funds
21	Student Activity Fund
22	Management Levy Fund
23	Physical Plant & Equipment (PPEL) Fund
24	Public Education & Recreation (PERL) Fund
25	AEA Special Education Instruction Fund
26	AEA Juvenile Home Instruction Fund
27	Special Revenue Trust Funds
28	67.5 Cent Schoolhouse Levy Fund
29	Library Levy Fund
	Capital Projects Funds
31-32	Capital Project Funds from Bonds
33	Local Option Sales and Services Tax Capital Projects Fund
34-39	Capital Project Funds from Sources Other than Bonds
40	Debt Service Fund
45-49	Permanent Funds (GASB Statement 34)
Proprietary Funds	
	Enterprise Funds
51	School Nutrition Fund
52	Child Care Fund
58	AEA Cooperative Purchasing Fund
	Internal Service Funds
61	Self-Insurance Fund
62	Flex-Benefits (cafeteria) Plan Fund
63-69	Other Internal Service Funds
Fiduciary Funds	
	Trust and Agency Funds
71-72	Expendable Trust Funds/Private-Purpose Trust Funds (GASB Statement 34)
73-74	Non-expendable Trust Funds
75	Pension Trust Funds
76-79	Agency Funds
Account Groups	
80	General Fixed Assets Account Group (GFAAG)
90	General Long-term Debt Account Group (GLTDAG)

Some funds will change and the account groups will be eliminated with the implementation of GASB Statement 34.

Separation of Funds

A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated in order to carry on specific activities [NCGA Statement 1].

Each fund is mutually exclusive and completely independent of any other fund. Therefore, no fund shall be used as a clearing account for another fund.

The status of each fund must be included in the annual report. The treasurer shall keep a separate account for each fund, and shall not pay an order that fails to state the fund upon which it is drawn and the specific use to which it is to be applied (298A.14).

The district or AEA is not required by law to keep separate bank accounts because of the requirement for separateness of the funds (OAG #65-10-14). The law does not specify separate bank accounts, but there may be practical reasons for doing so (1 D.P.I. Dec. Rul. 65). However, if moneys are combined for investment purposes, the interest earned shall be credited to each appropriate fund.

1. School districts and AEAs operate under Dillon's Rule. Each fund authorized to be established in the school district and AEA is listed in Code along with the allowed revenues and expenditures for each fund. Each fund is allowed to be used for the purposes authorized in Code and no other. Each fund is mutually exclusive and independent of any other fund. If a revenue or expenditure is specifically authorized for one fund, it is not appropriate to any other fund, unless the Code also specifically authorizes it to that other fund.

Interfund Transactions

Generally, moneys may not be transferred between funds, other than authorized by 298A.9 and 298A.10, unless the purpose of the fund is ended or the transfer is authorized by the state appeal board. All allowable transfers or loans require board action, and some require a vote of the electorate.

However, bona fide loans authorized by the board, executed by a note at the going rate of interest, and repaid by fiscal year end would not be an audit exception (Letter, Office of the Auditor of State, September 9, 1980). Before any board decides to loan money between the separate accounts under its jurisdiction, it would be well advised to review the current rates of interest it receives on its invested funds and the amount of interest it would pay on warrants (1 D.P.I. Dec. Rul. 65).

Authorized by Board

Money inadvertently placed in the general fund may be withdrawn and put to the special purposes for which raised (1936 Op. Att'y Gen. 38 (#35-1-26)).

Subject to the provisions of any law relating to municipalities [municipalities include school corporations], when the necessity for maintaining any fund has ceased to exist and a balance remains in the fund, the board of directors shall so declare, by resolution, and upon such declaration, such balance shall be transferred to the fund or funds designated by the board, unless other provisions have been made in creating such fund in which the balance remains (24.21).

"Provisions of law" referred to in section 24.21 does not permit the board, acting alone, to transfer between funds. There are two exceptions to the rules in the above paragraph with the implementation of GAAP:

1. *Capital Projects.* Any governmental fund authorized to be used to construct or acquire capital facilities, must transfer those funds to a capital projects fund to be accounted for there. Surplus remaining after the completion of the capital project may be returned to the fund from which the money originated (298A.9).
2. *Debt Service.* Any governmental fund having authorized indebtedness must transfer those funds to the debt service fund when interest and principal payments are due. Retirement of bonded indebtedness or other authorized indebtedness shall be accounted for in the debt service fund (298A.10). Other than bonded indebtedness, payments for debt retirement may only come from the fund in which the original loan proceeds were deposited.

General Fund (10)

Purpose and Use

This fund must be established by all school districts and AEAs. All moneys received by a school corporation from taxes and other sources must be accounted for in the general fund, except moneys required by law to be accounted for in another fund (298A.2). If another fund specifically lists an expenditure to that fund, it is assumed not to be appropriate to the general fund unless the Code also specifically states that it is an appropriate general fund expenditure.

Types of Expenditures

Expenditures include all general operating expenses of the AEA such as salaries, employee benefits, purchased services, supplies, and expenditures for equipment (285.10(7)).

The AEA board is authorized to receive and expend money for providing programs and services as provided in sections 273.1 to 273.9, and chapters 256B and 257. All costs incurred in providing the programs and services, including administrative costs, shall be paid from funds received pursuant to sections 273.1 to 273.9 and chapters 256B and 257 (273.3(2)).

The AEA board is authorized to pay, out of funds available to the board reasonable annual dues to an Iowa association of school boards. Membership shall be limited to those duly elected members of the AEA board (273.3(13)).

At the request of an employee through contractual agreement with the AEA board, the board may purchase group or individual annuity contracts for employees, which annuity contracts are issued by a nonprofit corporation issuing retirement annuities exclusively for educational institutions and their employees or are purchased from any company the employee chooses that is authorized to do business in this state or through an Iowa-licensed salesperson that the employee selects, on a group or individual basis, for retirement or other purposes (273.3(14)).

The AEA board or school board of any school district may employ public health nurses at periods each year and in numbers as deemed advisable. The council of any city, or the school board of any school district, or any of them acting in cooperation, may contract with any nonprofit nurses' association for public health nursing service. The compensation and expenses shall be paid out of the general fund of the political subdivision employing nurses (143.1).

The AEA board is authorized to establish and pay all or any part of the cost of group health insurance plans, nonprofit group medical service plans and group life insurance plans adopted by the board for the benefit of employees of the AEA, from funds available to the board (273.3(15)).

A school corporation may not use proceeds from the general fund to repay long-term indebtedness unless specifically allowed by law. Specific authorization is given for school bus purchases (285.10(7)), asbestos (279.52), energy conservation (473.20), and equipment purchases (279.48).

The board of directors of a school corporation may purchase equipment, and may negotiate and enter into a loan agreement and issue a note to pay for the equipment from the general fund pursuant to the requirements of Code (279.48).

The school district/AEA may pay the costs of an energy conservation project and repayment of loans entered into with the department of natural resources or its duly authorized agents or representatives for energy conservation projects from the general fund (473.20).

The cost of publishing the notices and estimates required by chapter 24 [budgets], and the actual and necessary expenses of preparing the budget shall be paid out of the general fund (24.16).

The cost of insurance shall be paid from the general fund (670.7).

The board may, when necessary, rent a room and employ a teacher, where there are ten children for whose accommodation there is no schoolhouse (297.12).

All the books and other necessary school supplies purchased by the board to be loaned, rented, or sold at cost to students shall be paid for out of the general fund (301.4).

Bonds and premiums for bonds for school corporation employees who have custody of funds belonging to the corporation or funds derived from extracurricular activities and other sources in the conduct of their duties shall be paid from the general fund (279.8).

All expenses related to changes in boundaries, reorganization, or dissolution shall be assessed to the affected districts and the respective boards to which such expenses are certified shall audit and order the same paid from the general fund (275.26).

The costs of special education instructional programs in the general fund include the costs of purchase of transportation equipment to meet the special needs of children requiring special education with the approval of the directors of the Department of Education (256B.9(7)).

Funds generated for special education instructional programs in the general fund under chapter 256B and chapter 257 shall not be expended for modifications of school buildings to make them accessible to children requiring special education (256B.9(9)).

Funds received by an AEA from the school improvement technology block grant shall be expended for the costs related to supporting school districts within the area served with technology planning and equipment, including hardware and software, materials and supplies related to instructional technology and the lease or lease-purchase agreements for those items, employment of or contracting with information technology specialists to provide technical consulting and integration of technology in curriculum and instruction, and staff development and training related to instructional technology. A consortium of AEAs may cooperatively engage in any of the activities allowed by this section (256D.8(3)).

Money inadvertently placed in the general fund may be withdrawn and put to the special purposes for which raised (1936 Op. Att'y Gen 38 (#35-1-26)).

Any governmental fund authorized to be used to construct or acquire capital facilities, must transfer those funds to a capital projects fund to be accounted for there. Surplus remaining after the completion of the capital project may be returned to the fund from which the money originated (298A.9).

Any governmental fund having authorized indebtedness must transfer those funds to the debt service fund when interest and principal payments are due. Retirement of bonded indebtedness or other authorized indebtedness shall be accounted for in the debt service fund (298A.10). Payments for debt retirement may only come from the fund in which the original loan proceeds were deposited.

Sources of Revenue

Sources of revenue include all moneys not required by law to be accounted for in another fund (298A.2). Proceeds from the sale or disposition of property other than real property shall be placed in the general fund. Proceeds from the lease of real or other property shall be placed in the general fund (297.22(1)). Rents received for incidental community use listed in section 297.9 are recorded in this fund. Sales of school supplies (commonly called resale) and sales or rentals of textbooks shall be accounted for in the general fund (301.1). Compensation or rent received for the use of school property (297.10). Any revenue or receipt described in law as a "miscellaneous income to the general fund" or coming from SBRC modified allowable growth is restricted to this fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

Juvenile home program fund is a special revenue fund. It is used to account for activities concerned with Juvenile Home instruction as established pursuant to sections 273.3(10) and 273.11 of the Iowa Code.

Special Education Instruction Fund is a special revenue fund. It is used to account for activities for special education instruction programs operated by the AEA through contractual agreements authorized pursuant to Chapter 28E of the Iowa Code.

Capital Projects Funds (30-39)

Purpose and Use

A capital project fund must be established in any school corporation which issues bonds or other authorized indebtedness for capital projects or which initiates a capital project, or which receives grants or other funds for capital projects. Boards are authorized to establish more than one capital project fund as necessary. Any balance remaining in

a capital project fund after the capital project is transferred, by board resolution, to the fund from which the surplus originated (298A.9).

Types of Expenditures

Expenditures relating to the acquisition, construction, remodeling, reconstructing, repairing, improving or expanding of school facilities as authorized by Code or approved by the director of the department of education (273.2(2), 273.3(7)).

Types of Transfers

Any governmental fund authorized to be used to construct or acquire capital facilities, must transfer those funds to a capital projects fund to be accounted for there. Any balance remaining in a capital project fund after the capital project is completed is transferred, by board resolution, to the fund from which the surplus originated (298A.9).

Sources of Revenue

The primary source of revenue is lease-purchase proceeds (273.2(2), 273.3(7)).

Debt Service Fund (40)

Purpose and Use

A debt service fund must be established in any school corporation which issues authorized indebtedness. The debt service fund shall be used to pay interest as it becomes due and the amount necessary to pay the principal when due on authorized indebtedness issued by the AEA, and to make payments required under a loan, lease-purchase agreement, or other evidence of indebtedness authorized by Code. Moneys available to service this debt and received from other sources shall be transferred to the debt service fund and the payment of the debt shall be made from this fund. Funds remaining in the debt service fund after payment of all outstanding debt in accordance with the original purpose of the indebtedness may be transferred by board resolution to the general fund (298A.10).

The debt service fund contains only the current portion of the bonding program. Current assets include cash and temporary investments. Current liabilities include debt obligations due but unpaid and other unpaid debt service obligations. Amounts representing future debt maturities are shown in the general long-term debt accounts.

Types of Expenditures

Expenditures from the debt service fund include the payment of principal and interest of the lawful bonded indebtedness maturing in the current year. The board may pay in addition such amount as it may deem necessary to apply on the principal (298.18). Expenditures also include the principal and interest payment on other indebtedness from resources transferred for that purpose from other funds.

Types of Transfers

Any governmental fund authorized to incur long-term indebtedness and to make payments required under that loan, lease-purchase agreement, or other evidence of indebtedness authorized by Code, must transfer the amount of money necessary to pay principal and interest when due to the debt service fund to be accounted for there. The governmental fund into which the original debt proceeds were deposited is the fund that must transfer money to retire that debt. Any balance remaining in the debt service fund after all outstanding debt is retired may be transferred, by board resolution, to the general fund (298A.10).

Sources of Revenue

Revenues include transfers from the general fund for principal and interest due on authorized indebtedness authorized by Code (298A.10).

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the students or general public on a continuing basis are financed or recovered primarily through user charges. Enterprise funds are also used to account for operations where the school board or state regulatory agency has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds include the child care fund and the school nutrition fund. Some other enterprise funds might include the bookstore operation, cooperative purchasing operation, the athletic stadium, the community swimming pool, the preschool, and major vocational education projects such as a farm, home construction, or automotive repair shop.

COOP fund is an enterprise fund. It is used to account for activities concerned with purchasing supplies, furniture, and equipment for resale to local school districts.

Other enterprise funds would include any sales of services to others and could include, but are not limited to, data processing services, and printing services.

Internal Service Funds (60-69)

Internal service funds are used to account for the financing of services provided by one department/fund to another department/fund of the organization or to another agency on a cost-reimbursement basis. If the district/AEA is not the primary user of the goods or services provided by the internal service fund, then the activity is accounted for in an enterprise fund rather than an internal service fund. Internal service funds would include self-insurance funds and flex-benefit (cafeteria) plan funds.

Fiduciary Funds

Trust or agency funds shall be established by any school corporation to account for gifts it receives to be used for a particular purpose or to account for money and property received and administered by the district as trustee or custodian or in the capacity of an agent. Boards may establish trust and agency funds as necessary (298A.13).

School corporations are authorized to take and hold property, real and personal, by gift and bequest and to administer the property through the proper officer in pursuance of the terms of the gift or bequest. Title shall not pass unless accepted by the governing board of the corporation. Conditions attached to the gifts or bequests become binding upon the corporation upon acceptance (565.6).

The board of directors of a school district which receives funds through gifts, devises, and bequests shall deposit these funds in a trust or an agency fund and use them in accordance with the terms of the gift, devise, or bequest (279.42).

Fiduciary funds must be established by any school corporation that has received assets or donations to be held as trustee or agent for individuals, private organizations or other governmental units, or other funds. The right to receive funds through gifts, devises and bequests is covered in sections 279.42 and 565.6. Fiduciary funds include expendable trust funds, nonexpendable trust funds, pension trust funds, and agency funds. *These fund designations will change with the implementation of GASB statement 34. Expendable trust funds will become special revenue trust funds or private-purpose trust funds. Nonexpendable trust funds will become permanent funds or private-purpose trust funds.*

The board of directors must take action to accept or establish trust or agency funds. It is the board's responsibility to insure that the funds will be used for purposes which are compatible with the mission of and restrictions on the district/AEA. Once accepted, it is the responsibility of the board to insure that the fiduciary relationship is carried out according to the terms of the agreement. If the purpose for which the money is to be spent is not in keeping with the overall objectives of the school district or AEA, the board shall not assume responsibility as an agent or trustee for the fund. Gifts of cash or other assets shall not be accepted if the board cannot legally meet, justify, or agree to the prescribed conditions.

Upon their acceptance, gifts and bequests of money become public funding under the stewardship of the recipient. A court would likely void any transfer of public funds to a nonprofit organization (OAG #00-8-2(L)).

Trust Funds (Expendable 71-72) (Nonexpendable 73-75)

Purpose and Use

Trust funds are used to account for assets held in a trustee capacity. These include expendable trust funds, nonexpendable trust funds, and pension trust funds. *Nonexpendable trust funds* are used to account for trusts where the principal may not be spent. *Expendable trust funds* are used to account for trusts where both principal and earnings on principal may be spent for the trust's intended purpose. Expendable trust funds are also used to account for the spendable resources of nonexpendable trust funds. *These fund designations will change with the implementation of GASB statement 34.* Examples of trust funds would be scholarships or moneys received from a private foundation to finance a particular expenditure.

A school district or AEA which acts as the fiscal agent for a grant will generally use an agency fund to account for the grant received on behalf of the other members of the consortium.

Types of Expenditure

The characteristics of the expenditures from an expendable trust fund depend on the nature of the donor's conditions or the responsibilities of the trustee.

Expenditures from a non-expendable trust fund are limited to transfers to an expendable trust fund of the interest or portion of the principal which has become expendable.

Sources of Revenue

Sources of revenue include donations of cash, investment instruments, property, and interest on investments held.

Agency Funds (76-79)

Purpose and Use

Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. Agency funds are expendable but differ from trust funds. For example, the school district/AEA acts merely as a custodian of the assets and is not an owner. Agency funds may be created when an organization, which is related to the operation of the school district, places certain assets into the custody of the school corporation. The school corporation renders a service, as the custodian, for the organization providing the assets. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. Moneys owned by the school district/AEA would not be accounted for in agency funds.

Types of Expenditure

The characteristics of the disbursements from an agency fund depend on the nature of the rightful owners' conditions or the responsibilities of the custodian. Typically, expenditures will involve remittance of assets to their rightful owners.

Sources of Revenue

Sources of assets include temporary receipts of cash, investment instruments, property, and interests on investments held.

Other Account Groups

The account groups described in this section differ from the funds in that they provide no source of resources for current and future outlays. The purpose of these groups is to disclose additional financial accounting information not provided by the fund records of all funds except proprietary funds and trust funds. *Account groups will be eliminated with the implementation of GASB Statement 34.*

General Fixed Asset Account Group (GFAAG) (80)

The General Fixed Asset Account Group is used to account for fixed assets other than those accounted for in proprietary funds or trust funds. Assets are recorded at cost or, if the cost is not practicably determinable, at estimated cost. Donated fixed assets should be record at their estimated fair value at the time received.

The amounts recorded for accounting and reporting general fixed assets are the initial or historical cost and are not to be confused with "appraised" values or any other reductions computed under any amortization or depreciation schedule.

General Long-Term Debt Account Group (GLTDAG) (90)

The General Long-Term Debt Account is used to account for unmatured long-term indebtedness except that which is directly related to and expected to be paid from proprietary funds and similar trust funds.